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BUY ⇄

Fair Value **RM1.38**
Previous **RM1.38**
Price **RM0.915**

AUTOPARTS

EPMB is a leading Tier-1 supplier of Proton and Perodua.

Stock Statistics

Bloomberg Ticker	EPMB MK
Share Capital (m)	166.0
Market Cap	151.9
52 week H L Price	1.13 0.53
3mth Avg Vol (000)	146.6
YTD Returns	18.1
Beta (x)	1.10

Shariah Compliant YES

Major Shareholders (%)

Mutual Concept	37.21
Horizon Growth Fund VA	5.24
Hamidon Bin Abdullah	5.09

Share Performance (%)

Month	Absolute	Relative
1m	6.4	-3.6
3m	18.6	11.7
6m	24.9	12.5
12m	71.7	55.0

6-month Share Price Performance

FY11 Results Review
EP Manufacturing
Driving Into a Better Year

EPMB's 4Q numbers were hit by higher raw material prices and interest expenses although these were offset by a tax deferred credit. The higher costs led to a sharp drop in margins, which shrank 3ppts to 3.34%. We remain positive on EPMB as we expect the company's earnings to be propelled by higher revenue from Proton and Perodua. As such, we maintain our earnings projections, with our BUY call retained. Our FV of RM1.38 is premised on a cheap 5x FY12 PE.

Hit by higher financing costs. EPMB recorded a poor set of results operationally in 4Q as its financing costs soared 42% q-o-q and 107% y-o-y amid higher raw material prices, despite chalking up stronger sales during the quarter. Nonetheless, its weaker bottomline was offset by a substantial deferred tax credit, which cushioned the overall impact. Stripping off unrealized forex losses which we consider as exceptional items, EPMB reported a FY11 core net profit of RM39.4m (y-o-y: +53%, 4Q: q-o-q: -4%) on the back of RM577m revenue (y-o-y: -2%, q-o-q: +19%), which was in line with our estimate but slightly above consensus.

4Q margins pinched. 4Q margins shrank as raw material prices shot up, causing the company's EBIT margins to halve to 3.34% from 7.3% in the previous quarter. We also suspect that this could also be due to higher depreciation costs.

Prospects remain bright on more contracts. We remain positive on EPMB as the company's earnings are to be boosted by higher revenue, spurred by the upcoming launch of Proton's new Persona replacement sometime in the next 2 months. We understand that EPMB is supplying the auto components for this model. Meanwhile, Perodua is also expanding aggressively into the export market, which bodes well for EPMB. The carmaker is also said to be looking to expand to the Middle East market.

Maintain BUY. We maintain our earnings projection, with our BUY call retained. Our FV of RM1.38 is premised on a cheap 5x FY12 PE.

FYE Dec (RM'm)	FY09	FY10	FY11	FY12f	FY13f
Revenue	468.0	587.5	577.1	676.4	703.0
Core Net Profit	39.7	25.7	39.4	43.3	48.1
% chg y-o-y	824.4%	-35.3%	53.5%	9.8%	11.1%
Consensus			36.5	38.7	48.1
Core EPS	24.8	16.1	24.7	27.1	30.1
DPS	1.0	2.0	1.0	2.0	2.0
Dividend yield (%)	1.1%	2.2%	1.1%	2.2%	2.2%
ROE (%)	17.5	10.5	13.8	14.1	13.9
ROA (%)	6.9	4.5	7.2	7.7	8.4
PER (x)	3.7	5.7	3.7	3.4	3.0
NTA/Share	0.71	0.83	1.12	1.29	1.38
P/BV (x)	1.3	1.1	0.8	0.7	0.7
EV/EBITDA (x)	4.3	4.7	4.1	3.7	3.3

Results Table (RMm)

	3QFY11	4QFY11	Q-o-Q	FY10	FY11	Y-o-Y	
Revenue	142.2	168.9	19%	587.5	577.1	-2%	In line. Revenue remains resilient driven by strong sales from national automaker, Perodua
EBIT	10.4	5.7	-46%	38.0	41.0	8%	EBIT hit by higher staffing costs
EI	0.0	-1.4			-1.4		Forex unrealized losses
PBT	7.7	1.8	-76%	32.5	29.6	-9%	
Net Profit	10.0	8.3	-17%	25.7	38.1	48%	
Core Net Profit	10.0	9.6	-4%	25.7	39.4	53%	Within
EPS	6.2	6.0	-4%	16.1	24.7	53%	
DPS	1.0	0.0		2.0	2.0		
EBIT Margin	7.3	3.3	-3.98	6.5	7.1	0.63	
Core Net Profit Margin	7.0	5.7	-1.32	4.4	6.8	2.46	
NTA/Share	1.02	1.12		0.83	1.12		

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